



CALIFORNIA

Technician/AGR Administrative Instruction

National Guard Technicians - CAL NG Active Guard/Reserve

MILITARY DEPARTMENT

P. O. BOX 269101
Sacramento, CA 95826-9101

NUMBER

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19 June 2003

NO EXPIRATION DATE

FLEXIBLE SPENDING ACCOUNT (FSA) PROGRAM

1. **Federal Flexible Benefits Plan (FedFlex):** Enables employees to pay for benefits with pre-tax dollars. The initial FedFlex benefit, Health Benefits Premium Conversion (HBPC), was implemented in October 2000. Premium Conversion uses Federal tax rules to let employees deduct their share of health insurance premiums from their taxable income, thereby reducing their taxes. OPM has now expanded FedFlex by offering Flexible Spending Accounts (FSAs).

2. **Flexible Spending Accounts (FSAs):** As shown below, employees are now able to set up a health care FSA to use for out-of-pocket costs including co-payments and deductibles and for health care expenses not covered by insurance, such as dental services and eye-care. Employees also will be able to set up an account for dependent care expense for children and aging parents.

- Health Care FSA (HCFSA) – eligible employees may use pre-tax allotments to pay for certain health care expenses that are not reimbursed by any other source and not claimed on the employee's income tax return. The maximum amount an employee may set aside in any tax year is \$3,000 and the minimum will be \$250.
- Dependent Care FSA (DCFSA) – eligible employees may use pre-tax allotments to pay for eligible dependent care expenses up to a maximum annual reimbursement of \$5,000 (\$2,500 if the employee is married and filing a separate income tax return).

As with Premium Conversion, employees may choose to make a voluntary allotment from their salary to their FSA account. Employees do not pay employment taxes on these allotments.

3. **Deductions:** Employees who elect to participate will identify an annual amount to be contributed to their FSA. These annual elected amounts will be prorated over the number of pay dates the employee has remaining in the Plan year and deposited into the employee's FSA account(s). Employees can draw upon their FSA accounts for reimbursement as they incur eligible expenses. (Note: There are administrative fees associated with these accounts.)
4. **Eligibility:** Employees eligible for Federal Employees Health Benefits (FEHB), (even if not currently enrolled), are able to elect a healthcare FSA to cover expenses not covered under their FEHB plan.
5. **Open Season:** The initial FSA plan year is a "short plan year" that begins on 1 July 2003 and ends 31 December 2003. **Eligible employees must enroll before 27 June 2003.** The deductions will not begin until September 2003. After the initial open season, employees will make elections to participate in one or both FSAs at the same time as FEHB open season. Unlike Premium Conversion, participation in FSA is not automatic; employees must make an election each and every year.
6. **Enrollment Procedures:** Office of Personnel Management has selected Sykes Health Plan Services, Inc. (SHPS) as the administrator for the FSA program. **Employees must contact SHPS directly for information about the new program and to enroll. The Human Resource Office can not approve or process enrollments.** Effective 16 June 2003, SHPS began accepting FSA enrollments. The benefit elections are irrevocable once the plan year has begun, unless the employee experiences a qualifying "change in status" event. There are three ways to contact SHPS to enroll: (1) call the toll-free phone number 1-877-372-3337; (2) email fsafeds@shps.net, or (3) use the electronic enrollment system at www.fsafeds.com. Additional information on FSA can be found on the OPM website at <http://www.opm.gov/insure/pretax/fsa/index.asp>.
7. If you need assistance, contact Nancy Hamilton, Employee Relations Specialist, at CAGNET 63411, DSN 466-3411, or (916) 854-3411.

FOR THE ADJUTANT GENERAL:

/s/

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